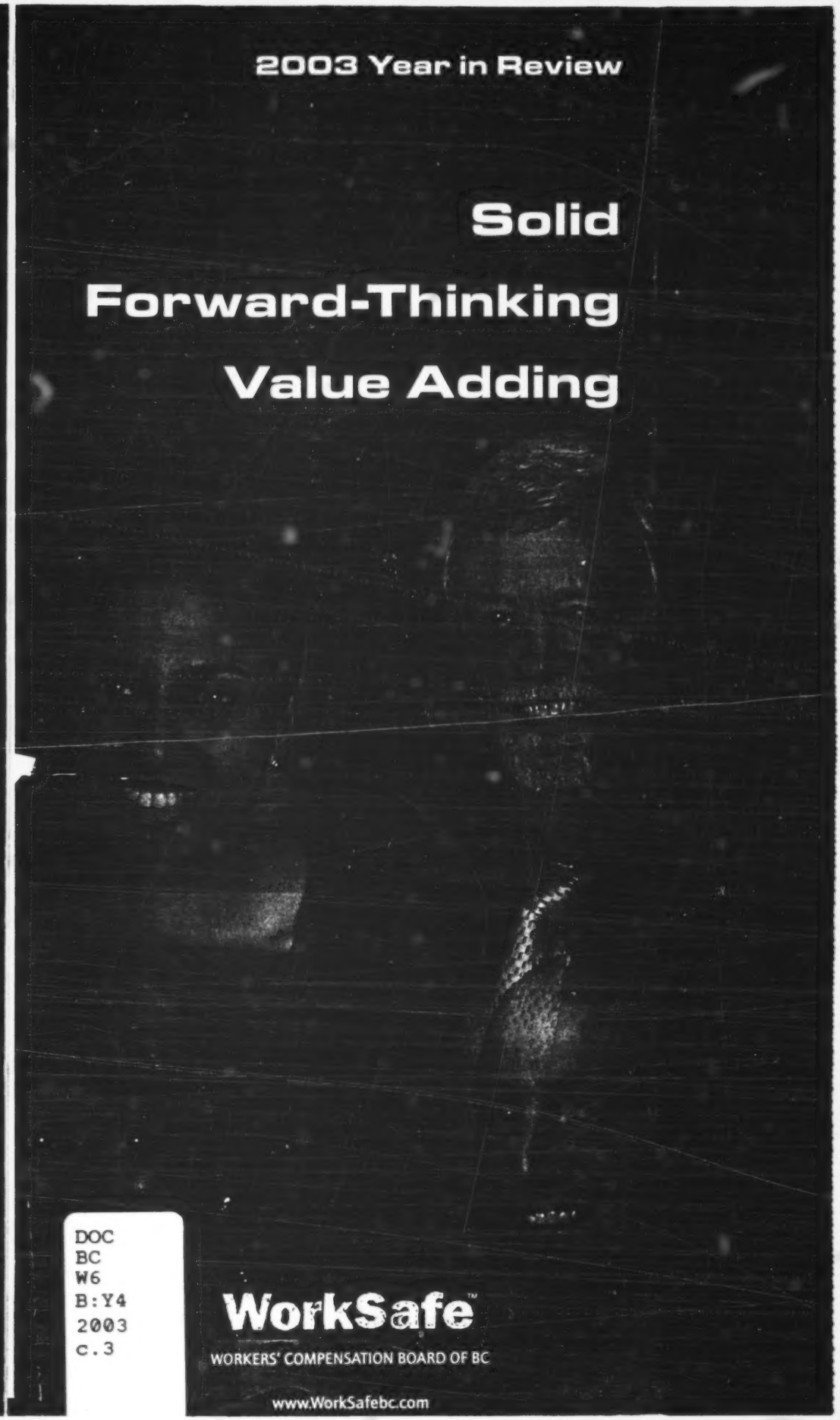
2003 Year in Review

Solid
Forward-Thinking
Value Adding



DOC
BC
W6
B:Y4
2003
c.3

WorkSafe™

WORKERS' COMPENSATION BOARD OF BC

www.WorkSafebc.com

104-04939/

Message from the Chair and the President

David Anderson, President and CEO and Doug Enns, Chair (right)

Two thousand and three was a milestone year for the Workers' Compensation Board of British Columbia. To make the organization more responsive to the needs of our stakeholders, we introduced a variety of new business processes, implemented substantial legislative change – including the creation of a new appeal system – and undertook major internal restructuring. Together, these changes have put us on track to become a more open, streamlined, customer-focused organization – one that is increasingly recognized as a vital public asset by the people of British Columbia.

What hasn't changed is our focus on improving the health and safety of B.C. workplaces. During the year, we worked closely with employers, workers, and other key stakeholders to drive down the incidence of occupational injury and illness in B.C. The synergies created by these partnerships are paying off: Together, we achieved a record-low injury rate of 3.0 short-term disability claims per 100 person-years of employment, down almost 7 percent from 2002, translating to approximately $60 million in avoided claim costs and 190,000 work days gained to the economy. This is a continuation of a trend that has seen the injury rate cut by 42 percent since 1994.

On the financial front, the WCB's performance exceeded targets primarily due to the lower injury rate, shorter duration of time off work for injured workers, lower benefit liabilities, and higher investment returns. As a result, our ratio of total assets to total liabilities was 100 percent in 2003, and we had an operating surplus of $155 million – an improvement of $726 million over 2002.

In 2003, we also managed to keep employer premium rates relatively stable, with a modest 2 percent increase in the aggregate base rate to $1.92 per $100 of assessable payroll. This was in sharp contrast to many other jurisdictions where rates increased substantially. The strong financial performance of the WCB combined with the lower injury rate and reduced operating expenses have translated to lower premium rates for the majority of B.C. employers in 2004, making us the most cost-effective jurisdiction in Canada.

Our commitment to improved customer service led to several new initiatives in 2003, including an enhanced rehabilitation model that provides injured workers with a higher level of support, counselling, and return-to-work

104-04939/

Message from the Chair and the President

David Anderson, President and CEO and Doug Enns, Chair (right)

Two thousand and three was a milestone year for the Workers' Compensation Board of British Columbia. To make the organization more responsive to the needs of our stakeholders, we introduced a variety of new business processes, implemented substantial legislative change – including the creation of a new appeal system – and undertook major internal restructuring. Together, these changes have put us on track to become a more open, streamlined, customer-focused organization – one that is increasingly recognized as a vital public asset by the people of British Columbia.

What hasn't changed is our focus on improving the health and safety of B.C. workplaces. During the year, we worked closely with employers, workers, and other key stakeholders to drive down the incidence of occupational injury and illness in B.C. The synergies created by these partnerships are paying off: Together, we achieved a record-low injury rate of 3.0 short-term disability claims per 100 person-years of employment, down almost 7 percent from 2002, translating to approximately $60 million in avoided claim costs and 190,000 work days gained to the economy. This is a continuation of a trend that has seen the injury rate cut by 42 percent since 1994.

On the financial front, the WCB's performance exceeded targets primarily due to the lower injury rate, shorter duration of time off work for injured workers, lower benefit liabilities, and higher investment returns. As a result, our ratio of total assets to total liabilities was 100 percent in 2003, and we had an operating surplus of $155 million – an improvement of $726 million over 2002.

In 2003, we also managed to keep employer premium rates relatively stable, with a modest 2 percent increase in the aggregate base rate to $1.92 per $100 of assessable payroll. This was in sharp contrast to many other jurisdictions where rates increased substantially. The strong financial performance of the WCB combined with the lower injury rate and reduced operating expenses have translated to lower premium rates for the majority of B.C. employers in 2004, making us the most cost-effective jurisdiction in Canada.

Our commitment to improved customer service led to several new initiatives in 2003, including an enhanced rehabilitation model that provides injured workers with a higher level of support, counselling, and return-to-work

services earlier in the claims process. We also expanded our efforts to deliver customized services to employers, tailored by size and industry type, and continued to add convenient, self-serve business applications to our web site at www.WorkSafebc.com.

As a measure of our service quality, employers gave WCB staff an average rating of 7.9 out of 10 for overall service in 2003, which was on target for the year. Ratings from injured workers, however, were lower than expected, reflecting the fact that our new service initiatives are still short of full realization. Areas identified for improvement include staff availability and timeliness when responding to customer queries, and the speed with which we get initial short term disability payments to injured workers.

Overall, we made important strides in 2003, but there is still a great deal of work to be done. In 2004, we will continue to realign our business functions and programs in order to take the WCB to the next level of operational performance. Through consultation with workers, employers, and staff, we've identified several areas where improvements can be and will be made. The transformation of the WCB will ultimately result in improved organizational efficiency, greater accountability, and enhanced customer service for all of our stakeholder communities.

As always, our accomplishments will be the result of partnerships between workers, employers, and the dedicated staff of the WCB. These partnerships are fundamental to the WCB's success and crucial to the fulfillment of our strategic goals. As we move forward, we will continue to consult and engage with our partners to ensure that we are meeting their needs, and together, we will find innovative ways to improve occupational health and safety in B.C.

Doug Enns
Chair

David Anderson
President and CEO

2003 Annual Report and 2004 – 2006 Service Plan

For an electronic copy of the WCB's *2003 Annual Report and 2004 – 2006 Service Plan*, visit our web site at WorkSafebc.com. If you require a printed copy, call 1 866 271-4879, fax 1 866 362-3130, or e-mail moore-wcb.customer.service@ca.moore.com.

Strategic Foundations of the WCB

Our mandate

The origin and fundamental value of workers' compensation rests on the principle of mutual protection arising from the historic compromise in which workers relinquished their right to sue their employer and employers agreed to fund a no-fault insurance system.

The British Columbia *Workers Compensation Act* enshrines the historic compromise and creates the Workers' Compensation Board (WCB). The WCB is an independent agency governed by a Board of Directors appointed by government. The mandate of the WCB, in concert with workers and employers, is to:

- Promote the prevention of workplace injury, illness, and disease
- Rehabilitate those who are injured and provide timely return to work
- Provide fair compensation to replace workers' loss of wages while recovering from injuries
- Ensure sound financial management for a viable workers' compensation system

Our vision

Workers and workplaces safe and secure from injury, illness, and disease.

Our mission

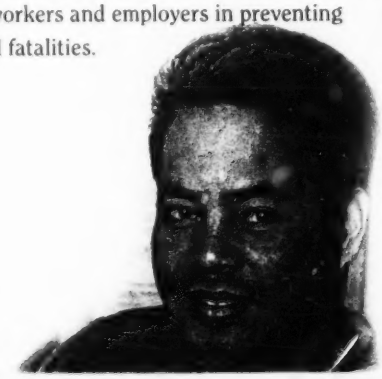
To add value for workers and employers by:

- Assisting them to create a culture of health and safety in the workplace
- Delivering quality decisions and advice
- Providing compassionate and supportive service
- Ensuring solid financial stewardship now and in the future

Our guiding principles and premises

We, the officers and agents of the B.C. Workers' Compensation Board, believe that:

- We must focus on our core mandates – prevention, rehabilitation, and compensation.
- Our principal focus is WorkSafe™ – the promotion of healthy and safe workplaces through enforcement, consultation, and education.
- The WCB is most effective when it is dedicated to the WorkSafe initiative, facilitating the co-operation of workers and employers in preventing workplace injuries, diseases, and fatalities.

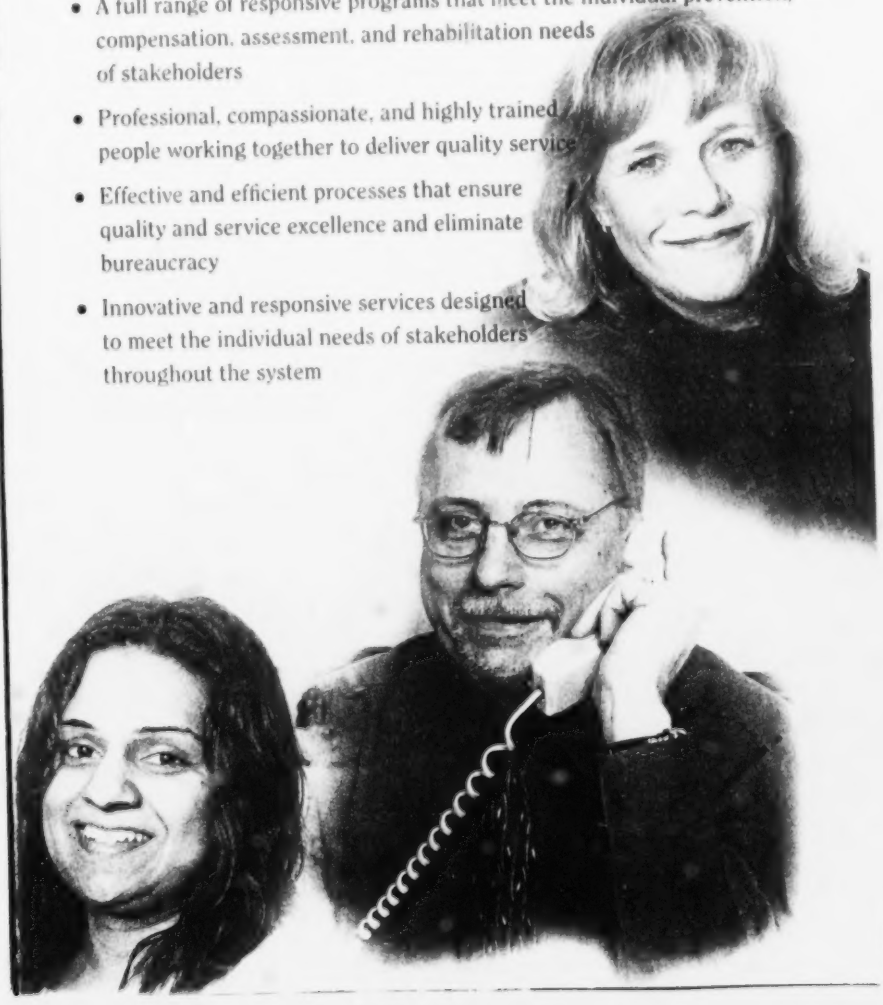


- Societal and system change is essential for creating a culture of health and safety in the workplace, and we play a principal role in effecting this change.
- We are a results-focused organization that values innovation and creativity in the delivery of our programs and services.
- We must be a diverse, customer-oriented organization that reflects and honours effective delivery of WCB programs and services. In doing so, we are dedicated to empowering our front-line staff through support and ongoing development and learning opportunities.
- We must preserve the financial integrity and stability of the workers' compensation system.
- We must add value to the workers' compensation system and be accountable to our stakeholders and to the Province of British Columbia.
- We must remain sensitive to the strategic priorities and economy of the province.
- We must remain sensitive to the strategic priorities and economy of the province.
- We must remain sensitive to the strategic priorities and economy of the province

- Societal and cultural change is essential for creating a culture of health and safety in the workplace and we play a principal role in effecting this change.
- When a worker is injured, our priority must be the rehabilitation and return to work of that worker.
- We must be driven by a service orientation that is attained through effective delivery of WCB programs and services. In doing so, we are dedicated to empowering our front-line staff through support and ongoing development and training opportunities.
- We must preserve the financial integrity and stability of the system.
- We must add value to the workers' compensation system and be an asset to our stakeholders and to the Province of British Columbia.
- We must remain sensitive to the strategic priorities and comply with the legislated directions of the British Columbia Government.

To fulfill its mandate, the WCB is enabled by:

- Transparent and accountable policies and regulations that define the type and amounts of compensation paid to injured workers, prescribe occupational health and safety standards, and determine how the system is funded and administered
- A full range of responsive programs that meet the individual prevention, compensation, assessment, and rehabilitation needs of stakeholders
- Professional, compassionate, and highly trained people working together to deliver quality service
- Effective and efficient processes that ensure quality and service excellence and eliminate bureaucracy
- Innovative and responsive services designed to meet the individual needs of stakeholders throughout the system



Summary of Financials

Balance Sheet
As at December 31 ($ thousands)

	2003	2002
Assets		
Receivables	458,703	427,728
Portfolio investments	7,879,525	7,499,966
Property, plant, and equipment	142,180	150,906
	8,480,408	**8,078,600**
Liabilities and net fund surplus/(deficiency)		
Payables and accruals	202,895	195,854
Benefit liabilities	8,269,650	8,029,458
Total liabilities	8,472,545	8,225,312
Reserves	260,000	260,000
Unappropriated balance/(unfunded liability)	(252,137)	(406,712)
	8,480,408	**8,078,600**

Statement of Operations and Unappropriated Balance/(Unfunded Liability) For the Year Ended December 31 ($ thousands)

	2003	2002
Income		
Premiums		
Rateable employers	1,025,243	950,323
Self-insured employers	52,140	68,927
	1,077,383	1,019,250
Investments		
Earned income	276,265	294,421
Amortization of investment gains	219,672	30,709
Provision for market value impairment of equity portfolio	-	(548,928)
	495,937	(223,798)
Total income	1,573,320	795,452
Expenses		
Claim costs before extraordinary adjustments	1,363,932	1,624,275
Extraordinary adjustments to revalue liabilities*	(75,546)	(414,674)
	1,288,386	1,209,601
Operating and prevention costs		
Operating	257,411	278,134
Prevention	38,452	40,418
Less: Claim administration costs	(165,504)	(161,825)
	130,359	156,727
	1,418,745	1,366,328
Surplus/(deficit) from operations	154,575	(570,876)
(Unfunded liability)/unappropriated balance – January 1	(406,712)	134,164
	(252,137)	(436,712)
Appropriation to Research Reserve	-	30,000
(Unfunded liability)/unappropriated balance – December 31	**(252,137)**	**(406,712)**

* The extraordinary adjustments to revalue liabilities relates to the following items: Bill 37 in 2003 and Bill 49 and mortality assumption changes in 2002.

Note: The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

For more complete financial information, refer to the *2003 Annual Report and 2004 – 2006 Service Plan*.

David Anderson
President and CEO

Sidney O. Fattedad, FCGA
Chief Financial Officer

Year at a Glance

Operating environment	2003	2002
Insured employers	173,008	171,583
Workers covered	1.9 million	1.9 million
Assessable payroll (thousands)	$52,252,000	$51,204,000
Assets (thousands)	$8,480,408	$8,078,600
Funded status	100%	98%
Premium income (thousands)	$1,077,383	$1,019,250
Investment income/(loss) (thousands)	$495,937	($223,798)
Claim costs (thousands)	$1,288,386	$1,209,601
Average final base premium rate	$1.92	$1.88

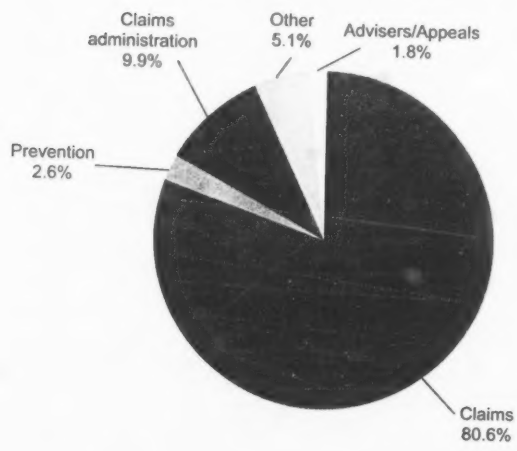
Claim statistics	2003	2002
Claims first reported	154,443	159,372
Claims first paid	120,470	119,727
Claims disallowed	5.8%	6.0%
Fatal claims accepted	170	157
Total days lost from work	2,765,230	3,004,318

Demographics*	2003	2002
Injured workers	58,834	61,529
Male injured workers	41,275 (70%)	43,330 (70%)
Female injured workers	17,560 (30%)	18,200 (30%)
Average age of injured worker	38.7	39.0
Number of young workers injured (under age 25)	8,990 (15%)	8,630 (14%)
Number of older workers injured (age 55+)	5,960 (10%)	6,435 (10%)

Top five injuries (by claim count)*	2003	2002
Strains (other than back strains)	18,110 (31%)	18,630 (30%)
Back strains	14,150 (24%)	15,180 (25%)
Cuts	6,670 (11%)	6,980 (11%)
Contusions	6,120 (10%)	6,450 (10%)
Occupational diseases	3,990 (7%)	4,450 (7%)

**Data excludes health-care-only claims*

2003 allocation of expenses (excluding non-recurring items)



Performance Targets and Results

The following table lists the main objectives and corresponding performance indicators used to track and measure our success.

Key objectives/performance indicators		2003 Targets	2003 Results	2004 Targets	2005 Targets	2006 Targets
Reduce the provincial injury rate (the number of short-term disability claims accepted by the WCB per 100 person-years of employment)		3.1	3.0	3.0	Less than 3.0	Less than 2.9
Reduce the average short-term claim duration		46.9 days	46.5 days	46.2 days	46.0 days	46.0 days
Improve return-to-work outcomes for workers in vocational rehabilitation		63%	63%	66%	69%	70% or greater
Improve timeliness of initial short-term disability payments		16 days	18.8 days	17 days	16.5 days	16 days
Improve injured workers' rating of overall service (10-point scale)		8.0	7.5	7.9	8.0	8.2
Improve employers' rating of overall service (10-point scale)		7.9	7.9	7.9	8.0	8.2
Raise public confidence		70% positive	70% positive	73% positive	75% positive	77% positive
Achieve an accident fund, including reserves, in the range of 90 to 110 percent		95%	100%	101%	102%	103%
Attain an aggregate premium rate between $1.75 and $2.25 (per $100 of assessable payroll)		$2.06 ($1.93 after transition and surplus)	$2.09 ($1.92 after transition and surplus)	$2.06 ($1.91 after transition and surplus)	$2.03	$2.00
Improve administration costs (per $100 of assessable payroll)		$0.39	$0.37	$0.36	$0.36	$0.35
Improve decision making throughout the WCB, ensuring consistency with the legislation (proportion of issues leading to overturned decisions at the review or appeal level due to WCB error in law or policy)	*Review level:*	Establish a baseline	7.9%*	7.0%	6.0%	5.0%
	Appeal level:	Establish a baseline	2.2%*	Less than 3.5%	Less than 2.5%	Less than 2.0%

**Formal baselines are not yet established; therefore, all decision-making targets are considered preliminary.*

Operational Highlights

*Formal baselines are not yet established; therefore, all decision-making targets are considered preliminary.

Operational Highlights